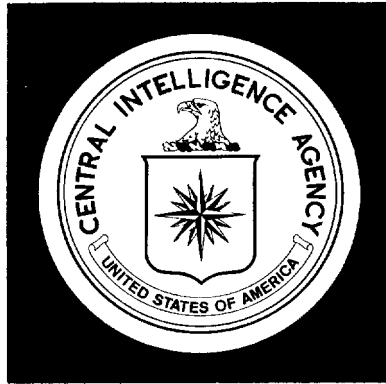


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Response
to
NSSM No. 188

A Review of Major International Developments During 1973

November 1973

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I. EUROPE

NATO Europe

In 1973, the NATO allies were deeply involved in multilateral negotiations on the political and military aspects of security in Europe and in drafting a declaration in response to Secretary Kissinger's call for a new Atlantic charter. But the allies seemed to find it easier to deal with problems related to the Communist world than to respond to the US. The Middle East war added strains to the relationship between the European members of NATO and the US.

In early July, the allied foreign ministers and their colleagues from other West and East European states approved the results of the preparatory talks for a Conference on Security and Cooperation in Europe and agreed to hold further negotiations. The second stage of talks began in September. The motives and goals of the participants differ. The Western countries want agreements that will enable people and ideas to move freely across national boundaries. The USSR and its allies seek guarantees of existing borders in Europe. Little progress has been made in reaching specific agreements, but the conferees have avoided polemics and have indicated they intend to get on with the job. Although the conference is unlikely to produce agreements of great immediate practical effect, it could help establish a basis for greater trust and confidence in Europe. The MBFR conference also opened this year.

In response to Secretary Kissinger's speech of 23 April, the NATO allies sought to draft a declaration outlining the principles of the Atlantic partnership. The task proved difficult. The latest proposal—based on a French draft—reaffirms the importance of the NATO alliance and restates that the allies will continue both to maintain a common defense and to pursue detente. The exercise of drafting this paper revealed some important differences between the US and the European concepts of the Atlantic relationship.

During the Middle East war, the Europeans expressed shock and displeasure that the US had put its military forces on alert without advance consultation. Effective presentations by US officials helped calm the protests, but the Europeans will continue to press the US to consult with them before taking any actions which could affect their interests.

The alliance retains a credible defense posture in Europe and has also demonstrated its usefulness to member states in non-military affairs. The Committee on the Challenges of a Modern Society continues to discuss and coordinate research on international environmental problems.

United Kingdom. In the UK, inflation topped the Heath government's list of problems, even though the country has been under wage-price controls for over a year. Unemployment declined and, for the most part, there has been industrial peace. The unions, however, are now pressing for a resumption of collective bargaining and elimination of wage controls. Neither the government nor the opposition Labor Party has done well in several by-elections during the past year or in the public opinion polls, while the resurging Liberals have made surprising gains.

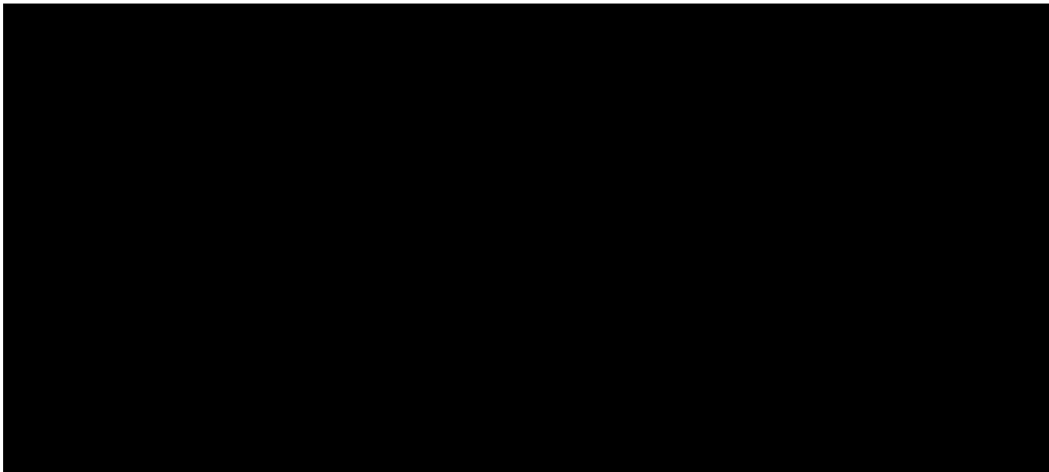
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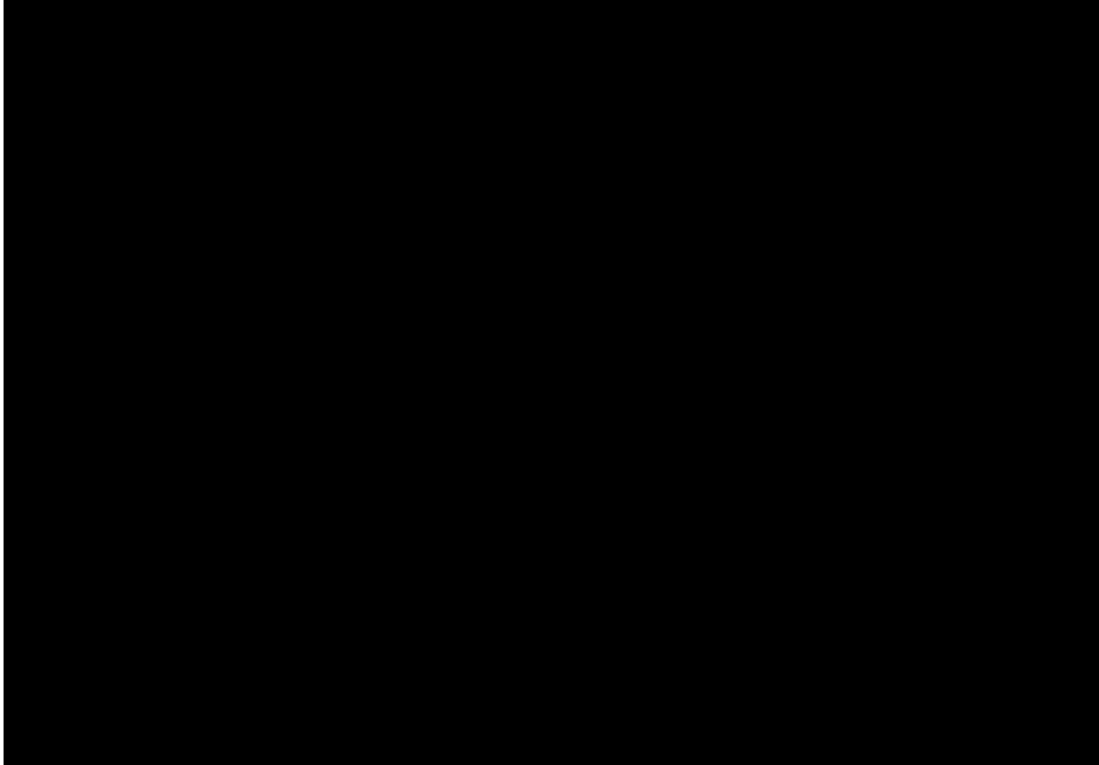
The UK began the year by joining the EC and ended the year by backing away from supporting Israel. The general public still questions the benefits of EC membership and the Labor Party is pushing for "withdrawal." London's self-proclaimed "even-handed" policy toward the Middle East, [redacted] led the Arabs to place the UK on the non-embargoed list for oil. Nonetheless, the UK declared a state of emergency and introduced measures to reduce oil consumption. Relations between the USSR and the UK have changed little, and the British are still skeptical of Soviet motives in the MBFR talks. Prime Minister Heath is scheduled to visit Peking in early January. Difficulties with Malta were partially resolved early this year, permitting a continued Western military presence on this strategic Mediterranean island.

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France. President Pompidou's position was weakened in 1973 by rumors that he is seriously ill and by Gaullist dissatisfaction with his leadership. Although the Gaullists are now more dependent on the Independent Republicans as a result of losses in the parliamentary elections in March, the relationship between the coalition partners has been strained. Independent Republican leader Giscard d'Estaing has come under sharp Gaullist criticism, both because of his presidential ambitions and the policies he has promoted as economics and finance minister. A continued high rate of inflation, the failure of Pompidou's constitutional amendment reducing the presidential term from seven to five years, and France's inability to play a wider role in world affairs have put the government on the defensive.

The center opposition parties have not been able to exploit these signs of weakness and have had no success in presenting themselves as a viable alternative either to the Gaullist coalition or to the left alliance. The Socialist-Communist alliance is in no danger of collapsing, but substantial differences on key policies persist.

France was still the fastest growing economy in West Europe. The government, however, remains under strong pressure to reduce inflation without restricting income. Labor leaders have made clear that they intend to call a general strike if the government attempts to exploit any EC agreement on economic and financial matters to impose domestic wage controls.

In foreign policy, Pompidou's concentration on European affairs was highlighted by his call on 31 October for regular EC summits to "harmonize" views. The French show signs that they may be more flexible toward European unity, but they still want to carve out a leadership role for France in the enlarged European Community and to mold Europe along French guidelines. Pompidou's official visit to China and his summit with Brezhnev demonstrated his continued interest in contacts with the East. The French view of US-Soviet detente, however, has soured. They suspect the superpowers intend to impose faits accomplis in areas of key interest to West Europe, such as the Middle East. There, Gaullist policy remained solidly pro-Arab, and Paris hopes eventually to play a part in guaranteeing a settlement. Former French colonies in Africa further loosened their ties to Paris when they renegotiated the cooperation agreements binding them to France.

Iceland. During the recent Cod War with Britain, Iceland's contribution to NATO and even its continued membership in the alliance were called into question. The two-year fishing agreement with London and prospects for a similar accord with Bonn have improved chances for retaining the US-manned base at Keflavik, and talk of withdrawing from NATO has subsided. Icelandic Communists, included in the present three-party coalition, have made inroads in the country's political life, but should the government founder, there is a strong possibility that a center-right government would be restored.

Italy. In early July, Italy, under Christian Democrat Mariano Rumor, revived the coalition formula that has provided most of the country's governments over the last decade—a center-left alignment of Christian Democrats, Socialists, Social Democrats, and Republicans. The new government was installed after the resignation of Giulio Andreotti's year-old centrist coalition, which had replaced the Socialists with the conservative, business-oriented Liberal Party.

Although the new coalition partners have serious differences over domestic policy, they have set these aside, at least temporarily, in an attempt

to take effective action against the most pressing economic problem, the country's soaring inflation. The coalition has had considerable success in holding down prices through a series of stop-gap measures featuring a three-month freeze on the prices of key commodities. Government efforts were aided by what the country's powerful Communist Party called a "different" type of opposition. As part of a more constructive approach to the government, the Communists used their influence with organized labor to discourage major strike activity. Thus, a guardedly hopeful atmosphere prevails in Rome. The government will still face serious difficulties in the months ahead as it seeks to find more permanent solutions for the country's economic woes while trying to implement a series of long-promised social reforms.

The Netherlands. In the Netherlands, the nine-month old left-center government under Socialist Prime Minister den Uyl is trying to preserve its fragile unity by rallying public opinion in the face of the Arab oil boycott. The lack of assistance from EC partners and the need for continuing strong relations with the United States have prompted a rethinking in political circles of Dutch security policies.

Belgium. With the implementation of programs granting greater autonomy to Flanders and Wallonia in economic and cultural affairs, traditional linguistic disputes have become less volatile political issues. Leaders of the tripartite government believe that Soviet-American detente and the Middle East crisis have raised more immediate problems, including the future of the Atlantic Alliance.

Norway. The Scandinavian romance with socialism cooled slightly during the past year. Recent elections in Norway resulted in the greatest losses the Labor Party has encountered for many years. Labor's slump derives from popular dissatisfaction over burgeoning welfarism and its resultant high taxes and inflation. Nevertheless, the party still emerged as the country's largest. It will try to govern by drawing on the left for support on domestic issues and relying on the center-right for a majority in foreign policy areas.

Denmark. In Denmark, the only Scandinavian EC member, the socialist government is experiencing many of the same problems as Norway. The Social Democrats, who commanded a one-vote majority with the cooperation of a small left extremist party, lost their edge in November and resigned. New elections scheduled for December may result in greater political fragmentation, as voters are expected to disperse ballots among a plethora of

new parties. A succession of weak, minority governments could result. In the past year, Copenhagen displayed diplomatic talent and political initiative in acting as host of NATO conferences and chairing the EC council.

Greece. The prominence of the military in Greek political affairs was raised another notch in late November when a group of military officers ousted the regime of President George Papadopoulos. These officers, led by the chief of the military police General Ioannidis, saw their revolution being betrayed by Papadopoulos' personal ambitions, his declaration of a republic.

The immediate cause of the move appeared to be Ioannidis' view that Papadopoulos had mishandled the November student riots by acting too late to prevent bloodshed.

The regime showed its hand when it announced that it was scrapping the planned elections and stressed the need to return to the goals of the April 1967 revolution to create the prerequisites for restoring a healthy parliamentary life. The prospects for even a "guided" democracy within the foreseeable future thus appeared dim at the end of 1973.

Turkey. Turkey faced a political crisis this spring when the Turkish parliament failed to elect a president expeditiously, and there were fears that the Turkish military might resolve the issue by seizing power. After a 25-day deadlock, however, the major parties agreed to elect Fahri Koruturk, a retired Admiral and former Senate member. The election of Koruturk indicated a shift in the balance of power in Ankara from the military commanders back to parliament; many, though not all, military officers had backed the presidential candidacy of former General Staff Chief Gurler. Subsequently, those officers considered interventionist were either retired or reassigned to less strategically located posts.

In parliamentary elections on 14 October, Turkey returned to fully representative government after more than two years of military-backed non-partisan coalition governments. No incidents marred the elections, but the vote was split among the eight competing parties so that no party won a majority. The left-of-center Republican Peoples Party, led by Bulent Ecevit, won a plurality. Efforts to form a coalition government have failed. Signs of uneasiness are appearing as the crisis drags on, but there have been no signs that the military will intervene again to resolve the impasse.

European Communities

With the admission of Britain, Ireland, and Denmark in January, the EC became the Nine, and confronted an ambitious program of internal and

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external policies set down at the summit last October. Progress has been especially tortuous on internal matters. The new members have failed to impart a hoped-for impetus to the EC. [REDACTED]

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[REDACTED] The enlarged membership has, however, brought new awareness of the discrepancy between the lag in economic integration and the political ambitions of the EC. France's call for a summit of the Nine in December 1973 and for regular summits thereafter reflects a general concern that "Europe," despite its economic power, is failing in its world role. Paris has gradually begun to place greater weight on Europe in formulating its foreign policies; the shift was not unrelated to the changed power relationships within the enlarged EC. Still, Paris and its partners are tempted to look first for national advantage in EC policies and remain divided on the degree of sovereignty they are willing to relinquish to the community's institutions.

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When measured against the large undertakings of the EC summit in 1972, the EC performance in 1973 has been poor. Important decisions on regional, agricultural, energy, and transport policies and on economic and monetary union are yet to be taken. The Commission has made proposals on these questions, and also in several areas of industrial policy, but the advances were modest as the Nine's main interest was, as usual, a desire to avoid a bruising confrontation.

The EC performance was better on external matters. It is clear that challenges from the outside are exerting more pressures for unification than are the exigencies of internal affairs. One achievement was the agreement on a common EC position for the multi-national trade negotiations. At the Nairobi international monetary meeting, the Nine were more willing than before to speak with one voice. Negotiations to reach a new agreement with the EC associates and potential associates in Africa, the Caribbean, and the South Pacific got under way. The Nine's political consultative mechanism functioned well in coordinating positions on the European security conference and was brought into play—somewhat belatedly—to respond to the US initiative for an Atlantic declaration. Despite considerable differences of emphasis between the French and the others, a growing sense of "European identity" pointed toward a joint position on an Atlantic concept.

The declaration on the Middle East issued by the Nine during the crisis, the first on that area, was inspired more by a common sense of dependence on Arab oil than on any real unity of policy. The selective Arab use of the oil weapon, particularly the embargo of all shipments to the Dutch, strained relations among the EC members. The Middle East crisis illustrated the

standing EC dilemma: the dependence of the Europeans on initiatives of the US runs up against the desire to operate as an independent political force. The EC, nevertheless, is the only instrument through which the West Europeans can hope to form an independent decision-making center and express the European component of Atlantic or world-wide policy-making. This is the common thread running through the debates of the Nine: with the US in the context of the "Year of Europe" and with each other on how to respond to the Middle East conflict or on how far to institutionalize their economic and monetary union.

Western Europe Outside NATO

Spain. Generalissimo Franco, who turned 81 this year, moved to prepare for a smooth transition of power by relinquishing his position of prime minister to his vice premier, Admiral Carrero Blanco. Although Franco's health has been declining in recent years, there is no indication that the decision to promote Carrero was prompted by health problems. Franco continues to exercise power in his role as chief of state, with Prince Juan Carlos, named by Franco in 1969 as king-designate, ready to take over the chief of state role when Franco dies.

In the economic field, private long-term capital investments and remittances from Spaniards working abroad added to Spain's large balance-of-payments surplus. Nevertheless, anti-inflationary measures failed to halt inflation, which surpassed 15 percent during the year. In January, Madrid forestalled economic problems arising from British entry into the EC by signing a protocol with the EC that permits Spain to continue trading with the three new EC members while negotiations for a permanent trade agreement are in progress.

In foreign policy, Madrid has assumed a tough stance toward both the US and the UK. The Spaniards broke off talks with the British on the future of Gibraltar. The Spaniards issued a policy statement saying its agreement with Washington does not include the right of the US to use facilities in Spain in a conflict between the Arabs and the Israelis.

Portugal. Prime Minister Caetano continues to govern Portugal with a firm hand. The government was unopposed in the National Assembly election in October; opposition candidates withdrew to protest election restrictions. Caetano subsequently reshuffled his cabinet, which now has only two

holdovers from the Salazar era. Caetano is expected to keep up Portugal's counterinsurgency efforts in the African provinces; on the home front he will probably attempt to improve social benefits and avoid repressive measures in dealing with student unrest.

The Portuguese Government has indicated that it is dissatisfied with the present agreement with the US, which permits Washington to maintain naval and air facilities at a base in the Azores Islands. Negotiations have begun to renew this agreement which expires in February 1974.

Austria. The Socialist government has taken advantage of domestic economic prosperity and a firm control of parliament to devote more attention to foreign policy. Austria is host to the MBFR negotiations. The Austrians were the first European neutral to attend a conference of non-aligned nations. They have also urged participants at the Conference on European Security and Cooperation to address directly the security and energy problems posed by the Middle East crisis.

Finland. Finland recently joined Sweden, the other Nordic neutral, in signing a free trade agreement with the EC. The accord constitutes one of the most significant foreign policy moves by Helsinki since it concluded a "special" treaty with the USSR in 1948—a treaty which has since hampered Finnish cooperation with the West. The Finns must still be careful to "balance" their East-West relations.

Sweden. US diplomatic relations with Sweden hit a new low in early 1973 because of Vietnam, but Stockholm has begun to show signs that it wants the climate to improve. The election in September resulted in a parliament split right down the middle—one half Socialist, the other non-Socialist. Unpopular domestic programs nearly ended more than 42 years of Socialist domination in Sweden. New elections are likely in the spring.

Ireland. The victory of the Fine Gael - Labor Party coalition in the February election ended 16 years of Fianna Fail rule. Prime Minister Cosgrave has followed his predecessor's moderate, gradualist approach to Irish unity and has moved energetically to try to prevent the IRA from using the Republic as a base for terrorist operations in Ulster. The agreement to form a coalition government in Ulster paves the way for creation of a council of Ireland that would have powers to deal with non-controversial problems facing the whole island. Dublin views a council as an evolutionary mechanism for fostering conditions necessary for Irish unity. The year marked the retirement from public life of President Eamon de Valera after over 50 years of service to the nation. Erskine Childers, a London-born Protestant, was elected to succeed de Valera.

Eastern Europe

The practical job of making detente work to their advantage occupied most East European countries in 1973, and some pitfalls began to appear. Concern over the foreign and domestic impact of better relations with the West produced some second thoughts. As the individual regimes focused on European security, force reduction, and improved relations with the US, they were jarred by renewed Middle East hostilities that for a while seemed to them to threaten to turn back the clock on East-West relations.

The Middle East war also raised questions about relations between Eastern Europe and Washington. Romania, the only East European country to maintain diplomatic relations with both Israel and the Arab countries, stood its ground against Soviet pressure. The other Warsaw Pact countries followed Moscow's lead and provided moral and some material support to the Arabs, and one country—Poland—agreed to send a peace-keeping contingent for the UNEF. Yugoslavia was the most vehement supporter of the Arab effort.

Yugoslavia's relations with the US underwent strains not only because of opposing views on the Middle East crisis but also because of a sharp anti-“imperialist” campaign in Yugoslavia after Allende's fall. Despite the difficulties, Yugoslav officials maintained a firm line that bilateral ties need not be harmed.

Romania continued to press its claim to being an equal and independent European nation. In the European security and force reduction talks, its delegates more than once adopted positions contrary to those of both the USSR and US. The Romanians, nevertheless, maintained their drive for better relations with the US, particularly the granting of MFN status which Ceausescu hoped to get during his US visit.

The year was a successful one for **East Germany**. After being recognized by nearly 100 nations, it entered the UN jointly with West Germany on 18 September 1973. Among the major powers, only the US was without diplomatic ties with East Germany, and negotiations to that end are under way.

Poland continued to seek a role for itself as the leading spokesman for detente in Central Europe, but it suffered some setbacks in 1973. The steadily improving relations with the US, which were marked by President Nixon's visit to Warsaw last year, were set back in the spring because of

Poland's activities on the Vietnam peace-keeping force. The Poles hope that their Middle East involvement will not have a similar effect and stress that they want to improve relations with the West in general and with Washington in particular.

Hungary is the only other East European member of the Vietnam ICCS and it, too, has shown bias there. Early in the year, Deputy Premier Valyi became the highest ranking Hungarian official to visit the US since World War II. He signed a claims agreement negotiated earlier and expressed Budapest's desire to work out accords in the cultural and scientific fields. Like Romania and Bulgaria, Hungary is anxiously awaiting the granting of MFN and is predicting that large bilateral trade increases will follow. After several years of negotiations, Hungary finally gained membership in GATT, a step of major importance to a country heavily dependent on foreign trade.

Bulgaria, with an eye on MFN, also pressed its efforts to improve relations with the US during 1973. In January, Sofia signed the most comprehensive agreement on combating illegal drug traffic yet reached between Washington and an Eastern European country. Bulgaria's more positive attitude toward the US is in harmony with Soviet foreign policy goals, but the Bulgarians also have their own economic objectives in mind. When Sofia's deputy foreign trade minister visited the US in July, he voiced the hope that his government could sign contracts for \$100-150 million worth of goods by mid-1974.

Czechoslovakia's year-long effort to break out of diplomatic isolation was enhanced by the visit in July of Secretary Rogers (the first such visit since the war) to sign a consular convention. His visit paved the way for negotiations on long-standing mutual financial claims, and talks on cultural and other exchanges are on the docket. Elsewhere, Prague's diplomatic efforts resulted in burying of the hatchet with Yugoslavia and Romania. Both had been cool toward the Czechoslovak regime since 1968. Prague also spread its wings in the non-Communist world when various Czechoslovak leaders visited Finland, India, Japan, and Turkey.

Only **Albania** has, not unexpectedly, stood aside from this detente-related diplomatic activity. Tirana ignored the offer of improved relations that was extended by Under Secretary Rush in April and has continued its anti-US vituperation.

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II. US-USSR RELATIONS

US-USSR relations improved over the past year, and the prospects for further improvement are good. The Middle East crisis in the fall has not shaken the US resolve to move ahead in this direction; it has demonstrated that intensive joint efforts as well as good-will are going to be required to build a more durable relationship and a more stable international order.

During Brezhnev's visit to the US last June, competitive ideologies and cold war legacies were set aside, and ten agreements, based on months of sound preparations on both sides, were signed. The diversity of these joint undertakings attests to the resolve of both countries to find common areas of interest despite the competitive nature of the relationship.

The achievements at the summit include agreements covering the peaceful uses of atomic energy, cultural and commercial relations, cooperation in the fields of agriculture and transportation, and study of the world's oceans. In addition, an important agreement was signed on the prevention of nuclear war, and each side renewed its commitment to seek more complete measures limiting strategic offensive arms. The documents on SALT envisage a permanent agreement on strategic offensive arms by the end of 1974 with the possibility of some accords supplementing the existing Interim Agreement before then.

The trend in relations since the Washington summit has been favorable. The war in the Middle East, the first real test of the policy of detente, produced some temporary strains in US-Soviet relations, but it also demonstrated that joint actions toward a negotiated settlement provide the surest means of advancing US-USSR relations and the interests of all states.

High-level contacts and the exchange of many delegations to implement existing agreements continued this year. Both sides are fulfilling the obligations they have assumed, and this should contribute to the atmosphere of mutual trust necessary for broader undertakings in the future.

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III. ASIA AND THE PACIFIC

US-Japan Relations

Prime Minister Tanaka considers his mid-summer visit to the US a high point of his administration. Although Tanaka has not recovered the broad public support he enjoyed when he entered office, the outcome of his trip to the US was well-received in Japan. Tanaka followed up his successful visit to Washington with trips in the fall to Western Europe and the USSR. Good Japanese-US relations bolstered Tanaka's determination to stand fast against Soviet political pressures during his summit discussions in Moscow.

The Middle East crisis and the subsequent Arab oil supply cutbacks have not reduced Japan's desire for close relations with the US. The Japanese consider their ties with the US of primary importance and have thus far sought to minimize any friction with the US by meeting Arab demands for political support with only minimal shifts of policy.

Japanese officials and considerable segments of the public continue to be committed to the US-Japan Mutual Security Treaty, and public opposition to such activities as the homeporting of the USS Midway has been limited. The treaty is, in reality, no longer an issue in Japanese politics. The consolidation of remaining US bases in Japan is reducing local objections to the presence of US forces in the country.

Indochina

Cambodia. The Lon Nol government continued to demonstrate its durability last year in spite of steady Khmer Communist military pressure, serious economic problems, and ebbing popular support. Although it was better equipped than before, the Cambodian Army's general combat effectiveness remained limited. The indigenous Communist military forces have grown larger and have displayed an increasing offensive capability. Communist successes in periodically cutting the country's major transportation arteries put heavy economic pressure on Phnom Penh, forcing the government to depend on foreign aid, even for rice. The Communists also made some progress in building up local political organizations in the countryside—a task made easier by the absence of government forces in many rural areas.

The government is still finding it difficult to maintain political cohesion and stability. Several important and able individuals rejoined the government

during the year, but they have been increasingly irritated by Lon Nol's authoritarian style. If Lon Nol does not change his ways, he risks losing their support and that of at least some senior military leaders. Without such support, his ability to retain power would be significantly weakened.

Laos. The Souvanna Phouma government and the Laotian Communists have agreed to form a new coalition government after a decade of fighting. A cease-fire, which was part of the peace agreement reached last February, is holding up well. Negotiations aimed at forming a new government are moving ahead slowly, but both sides remain optimistic that agreement will be reached without further bloodshed. The new government will be headed by Prime Minister Souvanna with as yet unnamed deputy prime ministers from each faction. Hanoi, on the other hand, sees its basic interests as protected under the current scenario, and as a result has indicated its support for the peace accord.

Vietnam. The Paris Accord, signed on 27 January 1973, set a limiting framework for activity in Vietnam the rest of the year. Strict observance of the agreement was never really achieved, and military operations persisted. Hanoi continued to move men and materiel south, and no meaningful progress was made toward a genuine political settlement in South Vietnam. If the agreement did not produce a real cease-fire, it did bring about a condition of "lessfire," which enabled the Thieu government to strengthen its political position in the South.

Just before 28 January, the Communists initiated a sharp burst of military action in the obvious hope of gaining additional territory before the cease-fire began. In succeeding weeks, however, Saigon's forces pushed the Communists back and in many cases went on to take ground from the other side. Military action in succeeding months followed a similar pattern as the two sides pressed for tactical advantage along the ill-defined line that separates them.

In the last half of the year, notwithstanding the signing of a supplementary cease-fire agreement between the US and North Vietnam in June, military exchanges in the South became more intense. North Vietnamese forces took a number of government outposts in South Vietnam's central highlands, government ground forces kept up their pressure on Communist-held territory, and the pace of South Vietnamese bombing was stepped up. The struggle for access to the rice harvest also grew more intense, with the Communists mounting strenuous local efforts to counter Saigon's campaign to deny them rice supplies. As the year drew to a close, there was every reason to believe that military activity would grow more intense in succeeding months.

Partly because of a continuing reinforcement and resupply effort, Hanoi, at year's end, had more troops and far more firepower in South Vietnam than at the beginning of the 1972 offensive. Given the commitment of the North Vietnamese to the take-over of the South and given the bleak prospects for Communist success in the political arena, it appears likely that at some point Hanoi will try once again for a military victory, or at least for military gains extensive enough so that the Saigon regime would negotiate with them. The question that remained unanswered as 1973 drew to a close was whether the push would come in the spring of 1974 or would be postponed until the next dry season.

The Thieu government strengthened its hold in South Vietnam often at the expense of non-Communist as well as Communist opposition. As a result of decrees issued late in 1972 that set exacting criteria for political organizations, most of the formal opposition parties have disappeared. Pro-government slates had no trouble winning the senatorial elections in August 1973. Thieu's power base in the military and the government bureaucracy was as strong as ever, and his Democracy Party is well on its way to pre-eminence in South Vietnamese politics. Thieu may not be a popular politician in the Western sense, but he enjoys a broad measure of respect, and many of his severest critics prefer him to the Communists.

The South Vietnamese economy experienced rough spots throughout 1973, largely as a result of the rapid reduction of the US military presence, the need to maintain an army of 1.1 million men, and the lingering after-effects of the 1972 offensive. Inflation persisted through much of the year. The problems were of manageable proportions, however, and did not lead to serious unrest and did not become so serious that conditions on the Communist side of the line began to look good by comparison. Communist proselytizing efforts met with minimal success throughout the year.

East Asia and the Pacific

China. In 1973 the People's Republic of China made progress in reconstructing its party and mass organizations, but was still unable to find the formula for unity among its top leadership. Although the tenth Party Congress in August elected a new Politburo and adopted a revised party constitution, the unusual brevity of the congress indicated that party leaders avoided a full discussion of controversial issues. A pre-congress debate in domestic media over where China ought to go and how it should get there has intensified. This controversy may be delaying the convocation of the National People's Congress, which will rubber-stamp a new governmental apparatus and might result in changes among Peking's leaders.

Tensions at home have not spilled over into the foreign-policy arena. Chinese foreign policy continues to be flexible, pragmatic, and highly successful. China seems intent on pursuing and improving state-to-state relations with other countries; the revolutionary elements of its policy seem at relatively low ebb, although the rhetoric of revolution has not disappeared entirely from Chinese propaganda. In the United Nations, Peking has frequently championed causes of the Third World, but seems more intent on developing relations with Europe, its neighbors in Asia, and the US. Distrust of the Soviet Union, a mainspring of Chinese policy, has not slackened.

North and South Korea. Negotiations between the two Koreas made no marked progress during 1973. The talks were, in fact, suspended in mid-summer, the result of Pyongyang's increased demands for military and political concessions from the South. Still, the existence of the dialogue helped Pyongyang gain international respectability. North Korea achieved observer status at the UN and opened diplomatic relations with a number of non-Communist states. Seoul launched a campaign to establish ties with Communist governments, particularly Moscow and Peking, but as yet without success.

The kidnaping of opposition leader Kim Tae-chung in Tokyo by ROK security elements hurt Seoul's image among its friends abroad and stirred student opposition at home. Seoul's support in the UN, however, remained largely unaffected, and a compromise agreement removed the Korean question from the General Assembly for another year. The agreement's strong endorsement of the North-South talks rekindled efforts by both Koreas to resume the negotiations. Pyongyang has made it clear that its major immediate objective in the talks continues to be an end to the UN and US military role in the South.

Thailand. A new civilian government came into power this fall with a mandate to draft a new constitution and hold elections for a legislative assembly some time in 1974. Although probably only an interim government, Prime Minister Sanya has made a good start in attacking a number of domestic problems like inflation and insurgency. The new government wants to carve out an independent foreign policy, but not at the cost of severing Bangkok's close ties with the US. It is likely that the new government will move more vigorously to improve relations with Peking than did its predecessor.

Philippines. Although Marcos has brought a measure of political stability to the Philippines, he faces severe economic tests that in the end may erase his political accomplishments. In the final analysis, the outlook for US

economic and military interests depends on the ability of Marcos to forestall widespread popular disaffection that could be exploited by his political enemies, including the nation's small but growing Communist movement. Marcos' declaration of martial law on 22 September received widespread popular support, primarily because of a general feeling that dramatic action was needed to deal with mounting problems.

The rural population is generally content with the new regime and the improvements it has brought in law and order. Unemployment, food shortages and impending oil shortages may revive urban discontent. Radical students, the militant clergy, and opposition politicians could decide to organize protests against the regime. Marcos must also reckon with the enhanced political power of the military in the civil administration. Any serious threat to national stability could precipitate a military take-over.

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IV. US-PRC RELATIONS

Relations between Washington and Peking improved further over the year. Highlights were the formal establishment of liaison offices in each capital and the visit of Secretary Kissinger to China in November. The communique issued at the conclusion of the Kissinger visit brought the US and China still closer to full diplomatic relations. Peking clearly wants to expand ties with the US in all fields.

Cultural exchanges continued to grow, with over a dozen US groups visiting China and close to a dozen Chinese groups visiting the US. The Chinese included journalists, scientists, librarians, and computer specialists; the US delegations included athletes, scholars, doctors, educators, and musicians.

Trade between the US and China expanded again, reaching close to a billion dollars. The Chinese purchased not only agricultural products like grain and cotton, but also aircraft, electronics and communications equipment, and fertilizer plants. A number of US businessmen were invited to attend both the spring and fall trade fairs in Canton, and business was conducted in a cordial and friendly atmosphere. A steady increase in Sino-US trade can be expected in the future.

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V. SOUTH ASIA

The nations of South Asia were buffeted by natural calamities and governmental changes in 1973, but, as the year ended, the region appeared to be edging toward greater stability, both economically and politically.

In 1973, India, Bangladesh, and Sri Lanka all suffered from food shortages resulting from drought, but prospects look better, for the harvests in 1974 and for meeting food requirements in the three nations. The monsoon rains, welcomed by most South Asians, caused some flooding in India and massive destruction in Pakistan. The Indus Valley, for example, suffered its worst floods in the 20th century. The United States took a prominent part in the relief effort, providing transportation equipment, food and emergency supplies, and trained personnel.

Politically, the most encouraging event of 1973 was the successful negotiation of the New Delhi pact in late August by Pakistan, India, and Bangladesh. The agreement resolved many of the humanitarian problems remaining from the Indo-Pakistani war of 1971. Pakistan agreed to release all Bengalees who wish to go to Bangladesh and will accept Pakistanis caught in Bangladesh by the war and a portion of the non-Bengalees of Bangladesh who wish to emigrate to Pakistan. Bangladesh, in turn, permitted the release of all the 93,000 Pakistani prisoners of war and civilian internees, housed in India since the war, except for 195 accused of war crimes. The fate of these 195 is to be determined by three-party negotiations after the repatriation of the others is completed.

Once the prisoners of war are returned, there is hope for better relations between India and Pakistan. The Kashmir issue was largely on ice last year, but it is not a dead issue as the student demonstrations in Indian-held Kashmir last November show. Assuming good will on both sides, moves toward increased economic and transportation ties appear likely in 1974 and full diplomatic relations may even be re-established.

Pakistan has steadfastly refused to recognize Bangladesh until the 195 remaining prisoners of war are released. Dacca, in turn, has announced that no discussions on the fate of the 195 can be held except after recognition. The impasse has been continued in the Security Council of the United Nations where China, on behalf of Pakistan, has opposed granting UN membership to Bangladesh.

Prime Minister Indira Gandhi continues to dominate Indian domestic politics. In mid-1973, her political strength as shown by public opinion polls

was waning, but the trend appears to have been reversed following the excellent monsoon. Her Ruling Congress Party remains the leading political force in the nation; its strength will be tested in several state elections early in 1974.

India-US relations improved considerably in 1973. Negotiations for an agreement on the disposition of large US holdings of rupees in India—the result of earlier economic assistance programs—were near success late in the year. Less Indian criticism of US actions and policies was noted than in previous years.

In Pakistan, the constituent assembly by almost unanimous vote accepted a new constitution in April; the constitution was promulgated in August. Difficulties between the governing party of Prime Minister Bhutto and opposition parties in the Northwest Frontier Province and in Baluchistan have brought some instability, including minor insurgent actions in Baluchistan. As the year ended, there appeared no sign of reconciliation between Bhutto and his opponents, but in the past serious confrontations have generally been avoided by last-moment compromises.

The continuing closeness of relations between Pakistan and the United States was symbolized by the very successful visit of Prime Minister Bhutto to the US in September.

As a result of a coup in July, Afghanistan's monarchy and 10-year-old "experiment in democracy" were eliminated. Former Prime Minister Daoud returned as president. Daoud shares power with a Central Committee made up, in part, of military officers who were instrumental in the coup. The new government faces economic problems at the same time that it is struggling to establish firm control over the nation.

Afghanistan's foreign relations since the coup have been dominated by problems with Pakistan. Afghanistan has long posed as protector of the tribes along the Afghan-Pakistan border and has urged greater autonomy for tribesmen living in the Northwest Frontier and Baluchistan. Islamabad regards the Afghan efforts as interference in Pakistan's internal affairs. This situation could lead to serious trouble in 1974. The US has urged both nations to resolve the dispute peaceably.

Bangladesh, under the leadership of Prime Minister Mujibur Rahman, continued its slow recovery from the destruction and confusion that accompanied its birth in 1971. Bengalees returning from Pakistan were integrated

into the hard-pressed civil service and armed forces. Most transportation routes have been repaired, and the economy, helped by a good monsoon, has begun to improve. Some instability was demonstrated by an increasing number of attacks on police stations and other government installations. Mujib's support among the population, nevertheless, appeared strong, and his party won an overwhelming victory in the national election in March.

US relations with Bangladesh have improved after a series of incidents in January in which USIS property was destroyed. Leaders of both the government and the ruling party spoke of the need for friendship with the US, and the US continues to provide food and economic assistance to Bangladesh.

Sri Lanka was relatively quiet in 1973. The government, displaying considerable political courage, took steps in October to reduce some social welfare measures that had caused severe fiscal problems and contributed to a stagnating economy. As 1973 ended, Sri Lanka faced recurrent shortages of food in the new year, but a fair monsoon and the government's decisive action in October gave promise that the economic situation will improve.

Relations with the United States remained cordial throughout 1973, with Washington continuing to provide economic assistance and, toward the end of the year, emergency food aid.

There were no dramatic changes in Nepal during 1973. The government, under King Birendra, maintained Nepal's independence between its two giant neighbors. Nepal was one of the nations chosen to provide troops for the UN force in the Middle East. US relations with Nepal were good.

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VI. THE MIDDLE EAST

The Syrian-Egyptian surprise attack on Israel in October brought to a head issues that had been simmering in the Middle East since the inconclusive Arab-Israeli war of 1967 and once more brought the threat of a great power confrontation. The October war also led to an Arab oil embargo against the US and other supporters of Israel and left hanging the prospect of yet another round of fighting made possible by the rapid resupply of the belligerents with newer and more destructive weapons.

As the Arabs wished, the war led to more involvement of the great powers in the process of establishing recognized borders between Israel and the Arab states. As the prospect for a new outbreak of fighting and further cutbacks of Arab oil production grew, Palestinian irredentists found themselves as unprepared as ever to agree on a common policy for the settlement of their claims. Their Arab patrons, intent on pressing their own territorial demands, appeared ready to let the Palestinians fend for themselves, and Moscow took the unprecedented step of inviting the heads of all the fedayeen organizations to a conference aimed at achieving a unified stand on the objectives of the Palestinian nation.

The leaders of the Arab states demonstrated an unusual degree of unity in supporting, first, the armed conflict and, then, the oil embargo. But some of the usual divisiveness remained. The secrecy with which war plans were made and executed (which was the key to their success) brought recriminations from those not in on the plans, particularly the Iraqi, Libyan, and Algerian leaders. President Sadat's agreement to a cease-fire without consulting even the Syrians brought more criticism and widened the rift between Sadat and the more radical Arabs.

To balance off these divisions was the solidarity achieved by Sadat with King Faysal and the leading sheiks of the oil-producing states of the Arab Gulf.

Outside powers have had a significant impact on developments in the Middle East. One of the most active was the Soviet Union which gave large-scale economic and military aid to the Arabs and established an imposing military force in the Mediterranean. The war created new opportunities for the Soviets, which they moved quickly to exploit; they are insisting on full participation in negotiations for settlement of the problems of the area.

On the Arabian Peninsula, the guerrilla war in western Oman and the disruptive role of the Marxist regime in Aden continue to be troublesome. In Oman, the government is making a real effort to sponsor economic development and introduce reforms, but it is hampered by the need to spend a substantial part of the country's limited revenue on combating an Aden-backed and Soviet-armed guerrilla movement. Oman is being helped by the UK, Iran, and a number of Arab states.

Aden not only backs the guerrillas in Oman, but it also poses a threat to the government in Sana (northern Yemen). Although the two Yemen governments last year talked sporadically about eventual union, the prospects that a single Yemen will be formed peacefully are not good.

Saudi Arabia is the paramount power on the peninsula and keeps a close watch on developments there. Faysal continues to give some financial and material aid to the moderate regimes, although a border dispute with Abu Dhabi remains unresolved. The small Arab states of the Gulf are eager to preserve their own identities, and this has posed some problems for those seeking to develop regional security arrangements or other forms of cooperation.

The Shah of Iran has been pressing for some form of regional security pact, but so far he has had little success. Senior Iranian and Saudi officials consulted several times during the year; their exchanges were "useful," but broke little new ground. Religious and ethnic differences and the markedly different perspectives of King Faysal and the Shah are likely to forestall cooperation. At home, the Shah is continuing his ambitious programs to modernize and expand Iran's economy and its armed forces. His guns-and-butter approach is absorbing all of Iran's rapidly growing oil revenues and more. He has found ready creditors in the West and Japan, and he has made it clear that despite the Arab embargo and production cutback, he will continue to extract oil at the rate he deems most advantageous to Iran.

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VII. THE AMERICAS

Latin America

In 1973, Latin American countries were preoccupied with what they regard as the vital need to find new ways to attack the complex problems of economic and social development. This preoccupation frequently led to divergencies of opinion between Latin American states and the United States (and to a lesser extent the world's other industrialized nations) over just what are the proper obligations of industrialized countries to developing countries. The countries of the inter-American community undertook to overhaul the machinery of the OAS so as to make it more responsive to the concerns and needs of the 1970s. The US has been a willing and active participant in this process, but changes are not likely to be implemented without considerably more effort.

In the search for means to develop better relations with the US, Latin American governments agreed to meet to clarify the issues. The foreign ministers or other representatives of 23 American states gathered in Bogota, Colombia in November and drew up a list of topics to serve as the basis for a dialogue with Secretary Kissinger early in 1974.

The military coup that overturned the Allende government in Chile on 11 September 1973 was widely viewed in Latin America and elsewhere as an event that will have important and enduring repercussions. Latin Americans have often tried to imitate Chilean political practices because they were regarded as among the most advanced in the area. Under Allende, who delighted in suggesting that his Marxist-Socialist government represented a major turning point in Latin American political evolution, this interest became even more intense.

The months preceding the coup saw a rapid worsening of the economic and political problems besetting Chile under Allende. The military, which had supported Allende through previous troubles, became restless. The infiltration of the navy by the left, the manipulation of high-ranking officers, the economic mess, the widening ideological divisions and growing frustrations finally moved the military to act. Chile's present rulers have set as their priorities the reconstruction of the economy and the reuniting of Chilean society, which was badly polarized during the Allende years.

Allende's fall has had reverberations throughout the hemisphere. While many deplore the method of President Allende's downfall and his own

personal fate, a number of governments may feel a sense of relief now that they see Chile as no longer a focal point for subversion in the hemisphere. Because of the coup, Marxists throughout the region probably are now under more concerted attack than in many years. The take-over may well make Latin military elites more assertive and affect approaching elections in a number of countries.

Chile was not the only major Latin American country struck by turbulence last year. In Argentina, military leaders worked out an understanding with the followers of Juan Peron. The result was the election of a long-time Peronist, Hector Campora, to the presidency in March. Dissension and violence between right and left-wing Peronists brought about Campora's resignation and Peron's election as president in September. Conflicts within his movement continue to distract Peron. He is 78 and in poor health so it is not surprising that sharp questions about who will succeed him are being raised. Argentines are also asking what domestic and foreign policy changes might be expected if Peron goes. One especially important issue to be faced is Argentina's relations with Brazil. Competition between these rivals for South American leadership increased in 1973. Both countries were active, for instance, in offering financial and other aid to the new government in Chile late in the year.

Venezuela's effort to get the OAS to remove its sanctions against Cuba was one of the Caldera government's chief preoccupations last year. Caracas did not press this view in the OAS since a majority of the organization still does not support its position. But as the year ended there were growing indications that Venezuela would soon move unilaterally to re-establish full relations with Cuba.

As the implications of the world's growing energy shortage began to unfold, the question of the continued availability of Latin American—especially Venezuelan—petroleum took on new importance for the US. President Caldera assured Washington that his government would not reduce petroleum sales to the US. Meanwhile, Ecuador joined the Organization of Petroleum Exporting Countries, and there were hopes that its oil exports, although not substantial, might help.

Difficulties relating to Law of the Sea matters—fishing rights, the use of claimed waters by US-owned ships, and the territorial seas questions—again marred relations between the Ecuadorean Government and the United States in 1973. Solving these issues will be difficult. Ecuador will need help in expanding her fishing fleet and in the development of processing capacity, and US assistance in this area may help solve these problems.

Relations with Peru's revolutionary government have been complicated by problems stemming from its expropriation of several US-owned companies without compensation. Discussions on this issue have dragged on for several years, but a solution may be within reach.

In Uruguay, a military revolt in mid-February left the armed forces in control of the government. President Bordaberry remains as president but Congress and the country's largest labor confederation were dissolved in July.

The Caribbean

Fidel Castro's Cuba pressed ahead with efforts to regain international respectability and broaden its diplomatic, economic, and cultural contacts with other countries, particularly those of the Western Hemisphere, the Middle East, and Africa. By mid-1973, full relations were established between Cuba and nine of its hemispheric neighbors, with Argentina the most recent addition.

Castro's increasing subservience to Moscow was displayed to the leaders of less-developed nations and to the world when the Cuban leader heaped lavish praise on the Soviet Union during the Nonaligned Conference in Algiers in August. The island's dependence on the USSR was made clear when Castro, shortly after returning from a quick trip to Moscow at the beginning of the year, announced large new Soviet economic credits, and when Soviet leader Leonid Brezhnev paid his first visit ever to Cuba in December.

Mexican President Luis Echeverria's activities in international affairs last year emphasized his country's claim to a position of influence among the nations of the "third world." On a trip to Canada, Europe, the Soviet Union, and China he sought support of his proposed charter of "economic rights and duties" of all nations. The charter deals with the key questions of relations between the developed and developing nations from the standpoint of the latter. The consolidation of friendly ties with the US was significantly advanced in 1973 when a mutually satisfactory settlement of the long, complicated dispute over the salinity of Colorado River waters reaching Mexico was negotiated.

Panamanian aspirations about the Canal were spotlighted and accorded international support during a brief meeting of the UN Security Council in Panama in March 1973. Panama's leader, General Omar Torrijos, went to

Europe to speak out on the Canal. The appointment of Ambassador Ellsworth Bunker as US negotiator spurred hopes in the US and Panama that a new Canal treaty acceptable to both sides might be concluded.

A new sovereign state joined the ranks of Western Hemisphere nations in July 1973 when the Commonwealth of the Bahamas gained independence from Britain. In September the new nation was warmly welcomed to UN membership by the US and most other members of the organization.

Canada

Prime Minister Trudeau's minority government remained in office by gaining the informal support of the moderately socialist New Democratic Party, which holds the balance of power in the House of Commons. The Liberals' 1973 program was influenced by both their own desire to increase the party's popularity with the electorate and the need to maintain the New Democrats' parliamentary support. Popular legislation reducing personal income taxes, reforming the welfare system, and dealing with the effects of inflation have been passed. Other bills regulating foreign investment and campaign financing are in the legislative hopper. Some cracks had begun to appear in the Liberal - New Democratic relationship by the end of the year, and it is widely expected that national elections will be held this spring.

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The Trudeau government continued to pursue an independent foreign policy, with particular stress on energy matters. Ottawa's national energy policy will doubtless concentrate on the protection of Canadian consumers.

The Canadian decision to withdraw from the International Commission for Control and Supervision in Vietnam was supported by all opposition parties and reflects the general shift in public opinion away from peace-keeping operations. Canada was nevertheless willing to contribute troops to the UN Emergency Force in the Middle East. Prime Minister Trudeau's trip to Peking demonstrated the importance Ottawa attaches to maintaining good relations with China. Ottawa's interest in European affairs centered on ensuring Canada a role in re-defining the Atlantic relationship—politically, economically and militarily—as well as participating in the MBFR and CSCE negotiations.

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VIII. AFRICA

South of the Sahara

Much of the sub-Sahara was in disarray this past year. Tribal hatred in Burundi at times threatened to engulf that tension-filled country in violence once again. Political stability eluded a number of countries, though only one coup—in Rwanda—took place. In west and north-central Africa, the serious drought inflicted hardship on many Africans despite massive outside relief efforts. Insurgencies dragged on in several areas, and a new one took hold in white-ruled Rhodesia.

The long-standing territorial dispute between Ethiopia and Somalia intensified last year. Somalia was more strident in its claims to a large part of eastern Ethiopia, while Ethiopia steadfastly refused to consider anything more than a demarcation of the present ill-defined border. Ethiopian concern over Somali intentions has been heightened by continued Soviet military deliveries to Somalia. Although both Emperor Haile Selassie and Somali President Siad apparently want to avoid a conflict, both sides have strengthened their military positions along the border. Despite efforts by the OAU, there seems little chance of bringing the two countries together. In the troubled Ethiopian province of Eritrea, insurgents regained some of the momentum lost during two years of internecine feuding and were able to carry out a few terrorist incidents despite government precautions. The serious illness of the Emperor's constitutional successor, Crown Prince Asfa Wossen, cast a cloud on the future of Haile Selassie's Ethiopia.

Uganda's General Amin continued to be the unpredictable gadfly he has been since he took power in 1971. The US closed its embassy in Kampala after Amin made a series of verbal attacks against the US, threatened US citizens in Uganda, and ordered the expulsion of the embassy marine guard. Amin seems to have improved his relations with Uganda's East Africa neighbors, especially Tanzania, during the year. Although presidents Nyerere and Kenyatta remain suspicious of Amin, they seem more willing to tolerate him.

In 1973, Nigeria became the world's sixth largest oil producer and the second largest source of imported crude oil for the US. General Gowon's importance as an African leader was recognized when the OAU chose him as its current leader. At home, Gowon continued to pursue a vigorous program of economic nationalism by taking measures to gain greater control over Nigeria's resources. Politically, the country was placid, though little progress was noted toward the return to civilian rule Gowon has promised for 1976.

The impasse between Britain and Rhodesia's breakaway white regime persisted. In November, Parliament voted to maintain economic sanctions for a ninth year. Trade bans have proved to be largely unenforceable, and the Rhodesian economy has continued to expand. Accumulating needs for new foreign capital have influenced Prime Minister Smith to keep up his low-keyed efforts for a settlement with Britain, but the possibility of meeting the basic British criterion for a settlement—an accommodation between whites and blacks—appears as remote as ever.

In South Africa, the National Party completed 25 years in power. Although Prime Minister Vorster has maintained white supremacy, he has shown some tactical flexibility in handling the chronic social tensions that have been heightened by economic growth. Nevertheless, the government has not hesitated to apply suppressive measures against dissenters among all races. The dialogue with UN Secretary General Waldheim concerning South African administration of South-West Africa (Namibia) has not been fruitful. Pretoria has continued its policy of separate development for the tribal homelands in the territory despite opposition from tribal groups within South-West Africa.

Last year the Portuguese maintained effective control in Angola, Mozambique, and Portuguese Guinea. In Angola, insurgency was at a low level, confined to remote, thinly populated areas. In Mozambique, insurgents were able to carry out some small-scale harassment against the big Cabora Bassa hydroelectric project. In Portuguese Guinea, the military situation changed but little, despite the acquisition of some new and more sophisticated weapons by the rebels. Portugal controlled the main urban areas, while the guerrillas operated with considerable freedom in remote areas along the border with the Republic of Guinea. In September, the insurgents proclaimed the "Republic of Guinea Bissau," which was accepted as a member of the OAU and recognized by the USSR, China, India, a number of eastern European countries, and nearly all the African countries.

Over the past year the Africans have made a special effort to present a unified front. In the economic field, a degree of solidarity has been reached, particularly in developing common principles on which to negotiate the countries' future relationship with the EC. In West Africa, there was a revival of interest in new forms of subregional cooperation that could lead to ties transcending cultural and economic barriers.

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North of the Sahara

Since the attempt on his life in August 1972, King Hassan has somewhat strengthened his position by [REDACTED] adoption of programs long advocated by the political opposition, and public appearances. He has dealt harshly with subversives involved in rural violence last March and has set aside proposals to liberalize the regime. He has also effectively divided and dispersed all major military units and sent potential troublemakers off to Morocco's expeditionary forces in Syria and Egypt. How long King Hassan can hold on to power remains doubtful, however, given increased disaffection in the military officer corps and his unwillingness to share power, provide representative political institutions, or improve the efficiency of his administration.

In Algeria, President Boumediene was still in undisputed control. The President's domestic and international stature was significantly enhanced when he was host of the Fourth Nonaligned Summit Conference last September. Boumediene began a campaign to revive the mass organizations that had been allowed to languish since the Ben Bella years, in part to build popular support for agricultural reform and socialist management of enterprises. The most important of these organizations, the National Liberation Front, is still leaderless, and the announced revitalization of the party has yet to materialize. The Algerian Government continued to use its rich natural gas and oil deposits to underwrite ambitious industrial development programs.

President Bourguiba continued to direct Tunisian policy despite his questionable health. Last August, Bourguiba offered political amnesty to opponents of the government living overseas, provided they returned to Tunisia before the end of the year and renounced all political activity, but few if any accepted his offer. The President's announcement that he will run for re-election in 1974 once again postponed any action on long-pending constitutional amendments to facilitate presidential succession and strengthen the authority of the Council of Ministers and the National Assembly.

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IX. STRATEGIC POLICY AND FORCES

CIA's contribution on this question will take the form of comments on statements concerning foreign forces and programs that may appear in a consolidated draft of this section.

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X. GENERAL PURPOSE FORCES

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XI. ARMS CONTROL

A large number of arms control measures were proposed in 1973, but no significant agreements were reached. In two sessions in Geneva, the Conference of the Committee on Disarmament failed to make any progress toward breaking the long-standing East-West stalemate on a comprehensive test ban. Moscow insisted on verification by national means alone while the US maintained that there must also be on-site inspection. Although much attention was given to indirect verification methods, no formal agreements were reached. Japan played host to an additional meeting to re-evaluate seismological technology, technical aspects of earlier comprehensive test ban proposals, and the problems of verification. This informal session promoted an exchange of scientific information, but was politically uneventful.

Lack of progress in Geneva and the absence of the French and Chinese have spurred some to search for other forums. Thus, items such as a draft on chemical weapons from nonaligned countries and a Swedish proposal to ban napalm and similar weapons languished in Geneva and were raised at the UN General Assembly. A special committee to study the prospects for a World Disarmament Conference, an alternative to the Geneva talks strongly favored by Moscow, held only one abortive meeting in 1973. Moscow again proposed that a disarmament conference be held and found considerable support among the smaller non-nuclear states in the UN General Assembly. Various nonaligned states pressed for a reconstitution of the UN Disarmament Committee, despite Soviet and Chinese opposition. Another proposal would establish an ad hoc special committee to exchange views on a World Disarmament Conference; yet another would convene a Non-Proliferation Treaty Review Conference to assess progress in nuclear disarmament.

Eighty-two states have now ratified the Non-Proliferation Treaty and have concluded or are negotiating safeguards agreements with the International Atomic Energy Agency. The conclusion last spring of the safeguards agreement between Euratom and the International Atomic Energy Commission gave an important boost to enforcement arrangements. Nevertheless, several important states are still among the holdouts. Although Japan considers the Euratom safeguards agreement a workable model, two rounds of negotiations between Tokyo and the Atomic Energy Agency were inconclusive. West German ratification has been delayed, but approval is expected this spring.

SALT

The Geneva talks on strategic arms limitations have assumed a pivotal role in the US-USSR relationship. Success in the talks will lead to a further

relaxation of international tensions and may contribute to a more productive utilization of both countries' resources. At the summit in Washington, President Nixon and General Secretary Brezhnev pledged to try to reach a permanent strategic offensive agreement by the end of 1974. In the meantime, both sides envisage the possible achievement of other agreements to supplement the existing Interim Agreement, which expires in July 1977. The talks in Geneva since the summit have been constructive and businesslike.

MBFR

After several months of preliminary talks, representatives from twelve NATO states and seven Warsaw Pact states met in Vienna on 30 October to begin negotiations on reducing forces and armaments in Europe. The Soviet delegate, acting on behalf of the Warsaw Pact, introduced a draft agreement calling for equal reductions of forces and armaments in three stages. The Western allies believe that reductions in the Pact states should be greater than those in the NATO states. Both sides have indicated a seriousness of purpose, but the complexity of the subject seems to rule out simple and quick agreement.

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XII. SECURITY ASSISTANCE

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XIII

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XIII. INTERNATIONAL MONETARY AFFAIRS

The dollar has appreciated substantially on world markets in recent months, and—with the turnaround in the US trade balance—the outlook for continued strength is promising. The markets themselves have become calmer, in part because of the dollar's performance. Nevertheless, uncertainties still cloud the horizon. Most prominent of these is the potential impact of the energy problem on the major industrial nations. In addition, only limited progress was made toward monetary reform despite intensive negotiations over the past year.

For much of the first half of 1973, the dollar was under sharp selling pressure. These crises, like those in 1972, reflected not only continuing US balance-of-payments problems, but also a change in the psychology of international currency traders. Money managers and speculators decided that further currency realignments were likely, and that windfall profits could be made at limited risk or that the value of assets could be protected by selling dollars. To the extent that traders acted on this belief, it became a self-fulfilling prophecy.

Even a 10-percent dollar devaluation in February—the second in little over a year—brought temporary relief. A renewed run on the dollar soon followed, and major exchange markets were closed. Emergency meetings of the major nations' finance ministers produced another significant change in the world currency picture.

Most of the major EC nations decided to float their currencies relative to the dollar and other currencies while maintaining a band of fixed exchange rates among themselves. This arrangement, called a joint float, was made to insulate the participants' trade, as well as the Common Agricultural Policy, from currency upheavals. The UK, Italy, and Ireland did not join the joint float, feeling that their currencies were weaker than the other EC members and would require massive central bank intervention to stay within the fixed band.

With Japan and Canada already floating their currencies, albeit under tight control by national monetary authorities, the fixed exchange rates within the joint float became one of the few remaining vestiges of the old system. Indeed, because it maintained relatively fixed rates, the joint float became a target for money managers and speculators. Largely by selling dollars and buying the stronger European currencies, they were able to precipitate further revaluations by the participating nations that wanted to maintain the float intact. The mark, Dutch guilder, and Norwegian crown all have been revalued since the joint float was established.

Pressures on the dollar did not ease until July, when major foreign central banks reached agreement to increase the funds they would make available to Washington to support the dollar. There was also moderate intervention to support the dollar, principally by the US and West German central banks. The dollar's recent strengthening, however, reflects more the improvement in the US trade and payments positions, plus the realization that Arab oil actions could harm European and Japanese economies more than the US.

As for gold, free market prices were volatile in 1973, reflecting the money problems and uncertainty about gold's future. Speculators drove prices up from about \$64 an ounce at the beginning of the year to a high of \$127 an ounce in early July. The dollar's return to favor led to a gold price decline that received added impetus in November when the two-tier gold system was ended through international agreement. Central banks now have the option to trade in gold on the open market. There is no sign that the end of the two-tier pact will lead to substantial sales in the near future, but there are indications that gold settlements among central banks will resume at or near the free market price, especially in the European Community.

The calming of the money markets which accompanied the dollar's improvement reduced some of the pressures for international monetary reform, but the wide differences on complex issues among the major nations—particularly between the US and France—have been the main obstacles to progress. The annual International Monetary Fund meeting in Nairobi, originally planned to mark the halfway point in the schedule for world monetary reform, merely underscored the continuing disagreements. A new deadline of July 31, 1974, was set for general agreement on reform, with the technical details of implementation to be worked out afterward. Many capitals are skeptical that even this schedule can be met.

Basic disagreements center on the allocation of responsibility in periods of substantial disequilibrium between nations having balance-of-payments surpluses and those having deficits. These differences show up on such questions as currency convertibility, a payments adjustment mechanism, and the future role of gold. The oil problem probably will further impede monetary reform; nations will be unwilling to move forward until their economic prospects become clearer. Moreover, there is widespread recognition that a rapid return to a system of fixed exchange rates would not be practical.

The problems in the money markets have not resulted in the world-wide recession or reduction in trade that many feared. The phenomenal

growth in trade that was facilitated by the fixed rate system continued and even accelerated as did economic growth world wide. Exporters and importers took steps to reduce risks through contract adjustments or dealings in the exchange market, but such steps resulted in small increases in trading costs. International investment—direct and portfolio—also has taken money market problems in stride.

The substantial devaluation of the dollar has provoked only limited concern abroad for several reasons:

- Most of our trading partners' foreign commerce is with countries other than the US so that the effective over-all appreciation of their currencies—and, hence, their over-all loss in trade competitiveness—is far less than indicated by the appreciation against the dollar alone.
- Rapid US economic growth for most of the period held down the availability of some US goods for export, while foreign growth made imports from the US desirable to aid in the battle against inflation.
- There were the normal lags in adjustment associated with existing trade contracts and with delayed response to currency changes.

The downturn now apparently beginning in most major economies, together with the increased impact of the dollar devaluations, has made the dollar's recent strengthening welcome. The slowdown also means that another significant weakening of the dollar for any reason would trigger a more severe foreign reaction.

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XIX

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XIV. INTERNATIONAL TRADE MATTERS

CIA's contribution on this question will take the form of comments on statements concerning the foreign aspects of international trade that may appear in the consolidated draft of this section.

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X

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XV. FOREIGN ECONOMIC ASSISTANCE

CIA's contribution on this question will take the form of comments on statements concerning the economic assistance programs of other nations that may appear in the consolidated draft of this section.

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XI

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XVI. MEETING ENERGY NEEDS

The US faced an energy challenge of considerable magnitude long before the recent Arab-Israeli conflict and the decision of the Arab nations to utilize the "oil weapon." US oil production peaked in 1970, but consumption of petroleum products continued to increase at about 6 percent annually. Coal production and natural gas output leveled off. At present, the US with some 6 percent of the world's population consumes more than 30 percent of its energy. The industrialized nations of the West as well as many developing nations have increased their energy use even faster than the US.

The US became a net oil importer in 1946 and now imports about 36 percent of its consumption. By 1980, according to some projections, it will be importing more than half of its supplies. While US dependence on imports has been increasing, the availability of crude oil from Western Hemisphere sources has been decreasing. Both Venezuela and Canada appear to have reached the limits of their productive capacity unless very expensive sources, such as the Orinoco Tar Belt in Venezuela and the Athabasca Tar Sands in Alberta, are exploited. The chances of Canada's discovering oil in "frontier" areas like the Arctic and off the east coast are good, but exploration in these areas has proved a disappointment thus far. As a result of all this, the US is faced with both relative and absolute decreases in its Western Hemisphere oil imports.

During the next three or four years, the Persian Gulf is the only source from which the US and the rest of the world can obtain oil in the quantities necessary to maintain projected consumption. The Persian Gulf states account for at least two thirds of the world's proved oil reserves and 40 percent of its production. By 1980 these states could be producing as much as 50 percent of world output—if they decide to do so. Although some Persian Gulf producers, like Iran and Iraq, will need to expand output to finance ambitious development programs, others, including all-important Saudi Arabia which has 35 percent of the area's reserves, have no economic incentive to increase production. If Saudi Arabia should elect not to expand its production, there is no way that world output could meet expected demand. Consumption would have to be curtailed or other energy sources expanded.

The petroleum supply situation has been complicated by the latest Arab-Israeli war. For more than a year, Arab leaders had been hinting that the "oil weapon"—the cutback of Arab oil production and exports—would be used to pressure Israel to restore Arab lands taken in the 1967 war. On 17

October, 11 days after the new outbreak of Arab-Israeli fighting, the Organization of Arab Petroleum Exporting Countries carried out this threat. The initial agreement to cut back by 5 percent monthly was soon enlarged and an embargo was instituted against the United States, the Netherlands, the Union of South Africa, Portugal, and other "friends of Israel." By the end of December, Arab production is planned to be 29 percent below September levels and 35 percent below previously projected levels for December. The total loss would be more than 7.5 million barrels per day—about 20 percent of the oil that would have normally been in international trade in December.

Although some Arab states, including Iraq and Libya, appear to be dragging their feet in the implementation of the cutbacks, Saudi Arabia and Kuwait—by far the most important producers—are implementing all measures fully. They are unlikely to change their stand unless substantial progress is made toward fulfilling the conditions of UN Resolution 242 as interpreted by the Arab states.

The use of the oil weapon marks the end of an era in international oil affairs. Before 17 October, the maneuvers of the major oil producers in the Middle East and elsewhere had essentially economic purposes—higher prices and greater control over national resources. Now that oil has been used as a means of influencing non-oil-related foreign policy issues, it is likely the strategy will be repeated.

Even if Middle East problems are resolved, there are other areas where the oil weapon can and probably will be used. Indonesia, for example, is using oil to press Japan to revise its policies concerning natural versus synthetic rubber. Rumbblings from Caracas and Ottawa indicate that there may be a political price to pay for Western Hemisphere supplies. The question of using Soviet natural gas in the US has political implications for both Washington and Moscow that overshadow economics.

The politicization of oil is making the maintenance of independent foreign policies difficult for many nations. Of the major countries, only Russia and Communist China are relatively independent of foreign energy sources, and only the US and the UK have the potential to become so. Until new energy sources are developed—and this is a matter of decades—Western Europe and Japan will have to develop their foreign policy with one eye toward the oil-producing nations.

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XVII. UNITED NATIONS

The most significant accomplishments of the UN in 1973 were in the Middle East. In the wake of the Arab-Israeli war, the UN proved itself a valuable instrument of negotiations and peace-keeping. In addition, the Third UN Law of the Sea Conference got underway with a brief organizational meeting, several new disarmament proposals were drafted, the two Germanies were added to the membership, and the UN role in Korea was reduced. Nonaligned states, often supported by China, were particularly active on Middle East issues and other contentious questions, such as Cambodian representation, Guinea-Bissau membership, and the Panama Canal negotiations.

Prior to the Arab-Israeli war, the UN was involved in a series of unsuccessful efforts to break the Middle East stalemate. In June and July, an extensive Security Council debate on the Middle East produced familiar accusations and bitter rhetoric. Secretary-General Kurt Waldheim had little success in a subsequent "good will" trip to the area. During the October war, however, the UN was an important forum. In a series of three resolutions, the Security Council called for a cease-fire in place and authorized a UN Emergency Force, which promises to be a valuable asset in supervising the cease-fire.

Other areas of perennial UN attention have remained generally stalemated. No significant progress was made toward controlling terrorism. The familiar African issues of apartheid and Namibia were subjected to much debate, but little significant action. The Security Council approved a resolution supporting Zambia in its border dispute with Rhodesia, but otherwise offering little more than sympathy. The continuing talks between Secretary-General Waldheim and South African Foreign Minister Muller on the future of Namibia apparently brought the problem no closer to solution, but the nonaligned states can be expected to continue pressing for measures against the white regimes of southern Africa.

Nonaligned states—an increasingly cohesive force in the UN—were involved in several other contentious issues. In the General Assembly, they supported Guinea-Bissau and Prince Sihanouk. In the Security Council, their support enabled Latin American states to call a special session of the Security Council in Panama. Although the official topic was peace and security in Latin America, the meeting focused on Panama's demands for nationalization of the canal. This was only the second Security Council session outside of New York, but there is concern that other regions will press for local meetings to dramatize their specialized concerns.

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XVIII. LAW OF THE SEA

The long-planned third UN Conference on the Law of the Sea got under way with an organizational meeting in New York during December 1973. A ten-week substantive meeting with representatives from over 140 nations will be held in Caracas, Venezuela, in the summer of 1974.

Much of the need for international agreement has come from recently developed technology that has made possible the exploitation of new sources of critically needed petroleum in the continental margins and metallic nodules on the deep seabeds. Rules are needed to guarantee efficient and equitable exploitation of these resources. International solutions are also required for sound conservation and management of world fishing grounds and to guard against growing threats to the marine environment.

The UN Seabed Committee, which has been laboring long and hard, could not agree last year on draft treaty articles for the major political issues. Nevertheless, a widespread common understanding on the outlines of a new Law of the Sea Treaty emerged, including:

- a maximum limit of twelve miles for territorial waters;
- adequate guarantees of transit in straits used for international navigation;
- broad control over seabed and living resources beyond the territorial sea by coastal states;
- a balancing of interests of coastal state and the international community in scientific research and the protection of the marine environment;
- creation of an international authority to oversee the deep seabed and to take account of the interests of consumers and states.

Though progress has been made in isolating the issues and identifying the specific areas for accommodation, strong and divergent views are still held by many countries and groups of countries on the law of the sea. Differences are apparent on such issues as "innocent passage" in straits used for international navigation, the outer limits to be ascribed to the "economic zone" controlled by coastal states, regulations governing fishing areas, establishment of environmental standards for seabed pollution, obligations for the conduct of scientific research in the areas beyond the territorial sea, and the make-up and powers of an international seabed source authority.

Most countries recognize that the issues under negotiation affect their economic, political, and military interests and thus attach great importance to the coming conference in Venezuela. Nonetheless, reaching agreement on all of the complex problems will be a slow and difficult process.

XIX. MULTILATERAL COOPERATION

Hijacking and Terrorism

The scope of the threat posed by international terrorism did not diminish in 1973. Terrorists demonstrated a growing ability to obtain and use sophisticated weapons and techniques in their operations. In September, for example, security forces in Italy confiscated two light-weight Soviet-made launchers for ground-to-air missiles from Arab commandoes who evidently planned to use these weapons against a civilian airliner. Other advanced weapons may still be in terrorist hands. Another unfortunate development was an increase in the number of organizations and individuals willing and able to employ terrorist tactics. To some degree, this trend has been abetted by the intense publicity accorded dramatic acts of international terrorism.

On the plus side, a rather vague international pre-occupation with terrorism in 1972 was replaced in 1973 by a growing determination on the part of some nations to act collectively and positively. Progress was limited, but nonetheless real. New ways were devised for like-minded nations to share information about known terrorists and their methods, and new techniques to frustrate or limit the use of various tactics were pooled.

The international forums concerned with terrorism remained largely frozen in the face of narrow national interests. The International Civil Aviation Organization conference last summer failed to draft effective regulations against air terrorism; it produced only a general condemnation of air piracy. The ad hoc Committee on International Terrorism established by the 27th session of the United Nations General Assembly failed to agree on any recommendations to present to the 1973 session of the assembly. A UN proposal to enact an international convention for the protection of diplomats will probably be rendered meaningless through disabling amendments in the Legal Committee.

Some progress was made last year in reducing aircraft hijackings. The US in particular benefited, largely as a result of more rigorous security procedures at airports and of an agreement reached with Cuba in February that requires the extradition of hijackers from either country. In 1972, there were 63 hijackings of civil aircraft involving 24 countries; some 32 of these involved US territory or US aircraft. By late 1973, there had been only one attempted aircraft hijacking in the US. Elsewhere in the world, hijackings--motivated by personal as well as political reasons--continued at rates not appreciably different from those of recent years.

Political motives, however, lay behind the growing number of kidnappings of diplomats and other prominent foreigners. The most barbaric incident was the capture and subsequent murder of the US ambassador, the US deputy chief of mission, and a Belgian diplomat in Khartoum, Sudan by Black September guerrillas in March. Foreign businessmen were frequent targets of extremist groups bent on extorting funds. In Argentina alone, well over 100 such hostages, many of them prominent foreigners, have been seized and some were killed.

Terrorism in the Middle East took a back seat to open military conflict between Arabs and Israelis in late 1973. As a result of the war and continuing divisions of opinion among Palestinians over their best course, the number of terrorist acts sponsored by fedayeen has decreased somewhat. There is little doubt, however, that those who espouse terrorism have merely paused temporarily.

Pollution

Two major conferences were held in 1973 to further the program of international cooperation to control pollution initiated by the 1972 Stockholm World Conference on the Human Environment. The first was the annual meeting in June of the Governing Council of the United Nations Environment Program, established by the Stockholm Conference. The 58-member council unanimously approved a report to the General Assembly and the Economic and Social Council on the establishment of a program and priorities for improving the human environment, on progress in creating an international environment fund, and on a plan to convene a conference-exposition on human settlements in Vancouver, Canada in 1974. The council will meet again in March 1974.

Sixty-eight nations, including all the world's major maritime states, were represented in London at the UN Marine Pollution Conference. The conference, sponsored by the Intergovernmental Maritime Consultative Organization, agreed on a convention to establish measures to help free the world's seas from pollution by ships. Under the terms of the convention, signatory states will be required to punish pollution violations by ships flying their own flags and to punish violations in their waters by foreign-flag vessels.

The General Assembly this fall considered three resolutions on pollution. One called for a preparatory committee to complete arrangements for the 1974 Conference on Human Settlements, the second directed the Secretary General to undertake a comprehensive study on multilateral financing of housing and human settlements, and the third called for cooperation among countries in sharing natural resources.

Space

Eleven European governments last August accepted a US offer to participate in the post-Apollo Space Shuttle plan through development of a manned orbiting workshop to be carried in the US space shuttle. The Europeans will thus gain access to the considerable American technology necessary for building the workshop. The interdependence of the space shuttle and the spacelab will result in unprecedented collaboration between the US and Europe in space activities.

The UN, on the other hand, was unable to make any significant progress on the draft moon treaty or on the draft convention on registration of objects in outer space. The General Assembly's Committee on the Peaceful Uses of Outer Space found all new proposals blocked by the East-West impasse that has obstructed the committee's work for several years. The General Assembly, therefore, adopted its usual omnibus resolution on outer space—a compromise statement reflecting no change of positions.

Narcotics

The federal international narcotics control program has made encouraging strides and is now an indispensable part of the campaign to curb drug abuse in the US and abroad. The measure of our progress in this field is visible in several areas. (For example, shortages of heroin have developed, notably on the East Coast.) A number of governments have responded to our initiatives and are taking vigorous enforcement action in cooperation with us.

The ominous fact remains, however, that as we make inroads into the traditional trafficking routes, new ones will open up unless we are vigilant. It is essential that the availability of heroin and other drugs on our streets not return to the levels of 1970. To ensure that this does not happen, new initiatives beyond current and projected programs are under consideration, and the international narcotics control effort will continue to be closely watched.

The International Narcotics Control Board—a UN organ which supervises and coordinates the international drug control system—met twice during 1973. Focusing primarily on South America and the Middle East, the board examined new problems arising from drug production, illicit traffic, and non-medical use. The board also renewed its appeal for contributions to the UN Fund for Drug Abuse Control.